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***S.B. No. 32 (COMM) AN ACT PROHIBITING OFFSETS FOR RETIREMENT BENEFITS IN DISABILITY INCOME PROTECTION POLICIES.**

***S.B. No. 34 (COMM) AN ACT PROHIBITING OFFSETS FOR DEPENDENT CHILDREN IN DISABILITY INCOME PROTECTION POLICIES.**

- No other state has a law that prohibits such offsets in LTD policies.
- LTD usually pays benefits to the claimant based on a percentage of wages (usually 60%); group LTD policies have a Social Security offset; if the claimant qualifies for Social Security, the policy benefits will be reduced to reflect SSDI payments including dependent benefits, and certain retirement benefits; the claimant still receives an amount equal to 60% of wages in the aggregate.
- When pricing group LTD insurance, an actuarial assumption is made that a certain percentage of claimants under the policy will be eligible for SSDI and certain retirement benefits; premiums are reduced to reflect the effect of the offsets, which keeps the cost of group LTD insurance affordable.
- The LTD insurance market is extremely price sensitive; such an increase in premium would result in fewer employers and consumers buying this important coverage.
- SSDI dependent benefits are a component of the wage replacement calculation for disabled workers under SSDI if there are dependents of certain ages. Dependents are not individually eligible for benefits in the absence of a disability to the primary worker.
- Insurers may offset for retirement benefits paid for by the employer; if the individual was already receiving retirement benefits prior to the disability, those benefits are not offset; if the employee paid for the retirement benefits (such as a 401k), there is no offset.

A group LTD policy without these offsets will result in over-insurance; the claimant may make more money disabled than when he or she was working; this creates a disincentive to return to work, lengthening the average A Connecticut apposes this bill for the following reasons

Gerald Flowers
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State Board Member
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